

Affordable **L**ocally **O**wned **H**omes for **A**ll

ALOHA Homes Study

Presentation to the Hawai'i Housing Finance
and Development Corporation (HHFDC) Board

FEBRUARY 11TH, 2021

Project Team

SPEAKING TODAY:

- Abbey Seitz (Community Planner)
- Kenna Stormogipson (Policy and Data Analyst, Hawai'i Budget and Policy Center)
- Steven Miao, (Research Assistant, Hawai'i Budget and Policy Center)
- Williamson Chang, JD (Legal Analyst, UHM William S. Richardson School of Law)
- Arjuna Heim (Fall Intern, Hawai'i Appleseed)

AVAILABLE FOR QUESTIONS:

- Dave Freudenberger (Public Finance Consultant, Goodwin Consulting Group)
- Charles Long (Developer and author of "Finance for Real Estate Development")
- Dennis Silva (Planner, Hawai'i Planning LLC)
- Jessica Sato (Freelance Designer)
- Jacob Heberle (Summer Intern, Hawai'i Appleseed)

Presentation Agenda

1. Study Methodology
and Singapore's Model
2. Financial Feasibility
and Maintaining Affordability
3. Evaluating Other Program Elements
4. Benefits, Next Steps, and Conclusions

Study Methodology

- Review Existing Research
- **2** Case Studies
- **40** Interviews
 - Developers
 - Housing agencies
 - Community organizations
- **4** Focus Groups

Singapore's Housing Model

Over 90% of Singaporeans own a home

- State-financed
- 99-year leases
- New unit restrictions
 - Resident-status
 - Income
 - Strict Ethnic Quotas
- Cheap labor
 - Low construction costs
\$125 to 150 per sq ft
- Strong State government
 - Builds adequate supply

State Housing Supply and Re-Sale Price



Singapore Obstacles for Hawai'i

CONSTRUCTION
COST

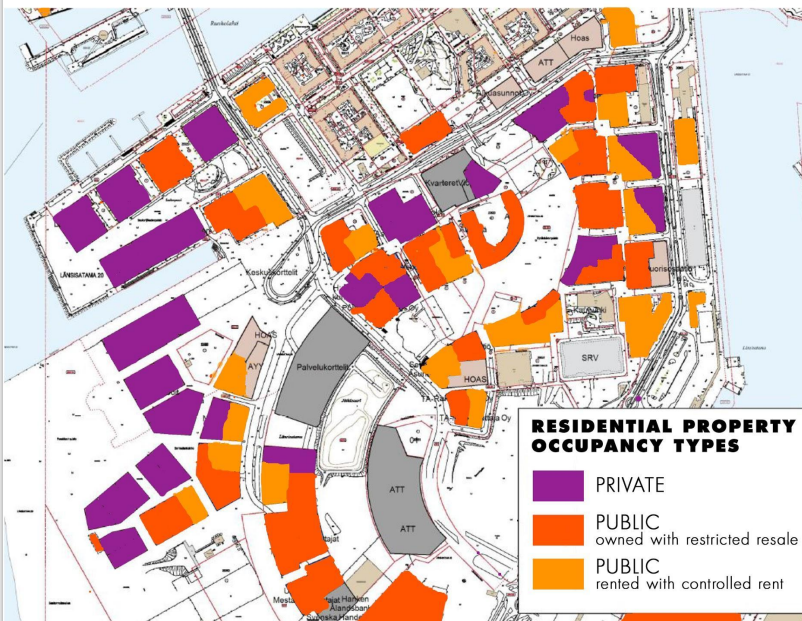
GOVERNMENT
AUTHORITY

versus

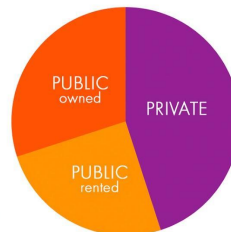
CITIZEN
PARTICIPATION

Similarities with Helsinki and Vienna

JÄTKÄSSARI, HELSINKI, FINLAND

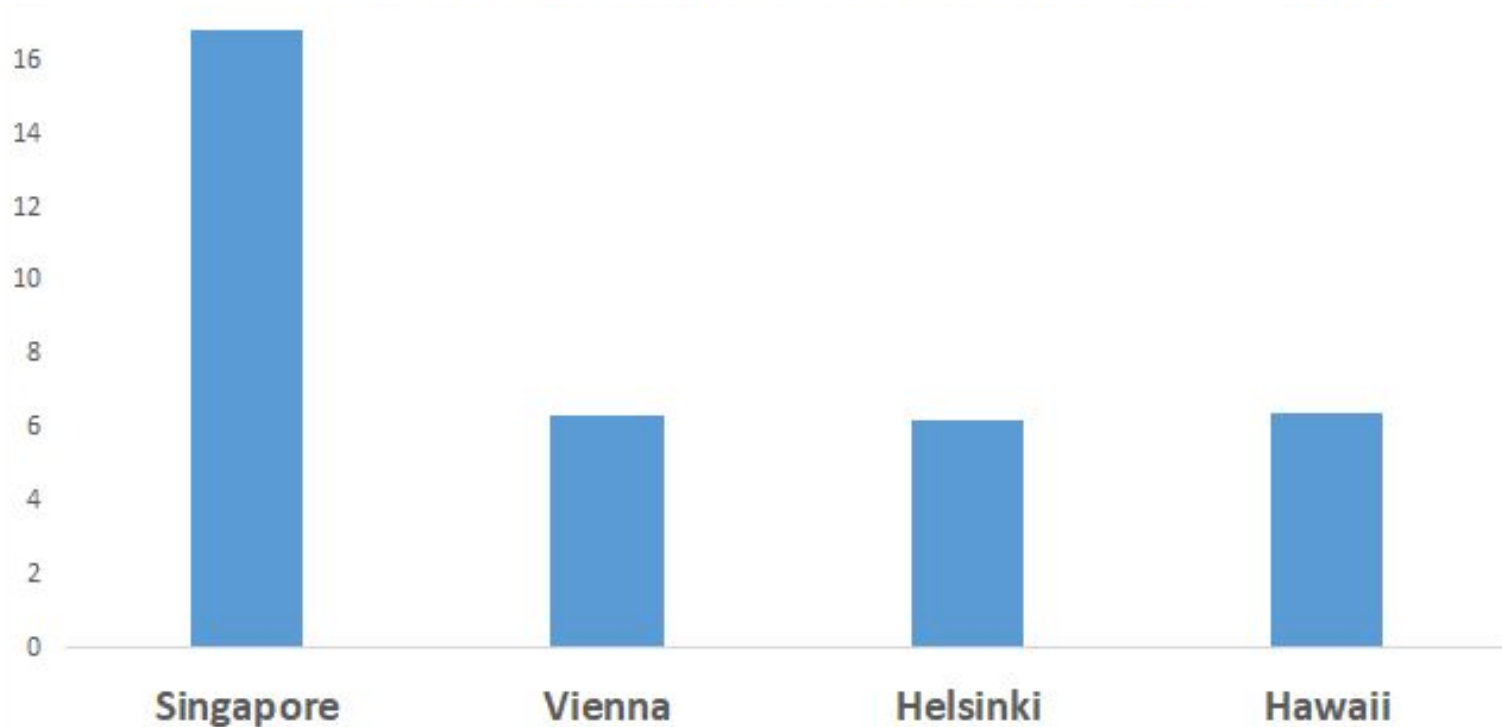


PUBLIC VERSUS PRIVATE AFFORDABLE HOUSING



- Citizen engagement (NIMBY)
- Strong labor unions
- High costs of construction
 - Helsinki
\$325–\$400/sq ft
 - Vienna
\$250–\$300/sq ft

Train Stations per Million People Since 2000



Maintaining Affordability is Key

Restrict Re-Sale Price, Keep Affordable for Next Owner

- **Case Study: Kaka'ako**

7,300 for-sale homes from 2008–2019

- Initially **26%** were affordable: **1,850** priced below-market
- Today **9% (637)** are still affordable, by 2025 it will be **3%**

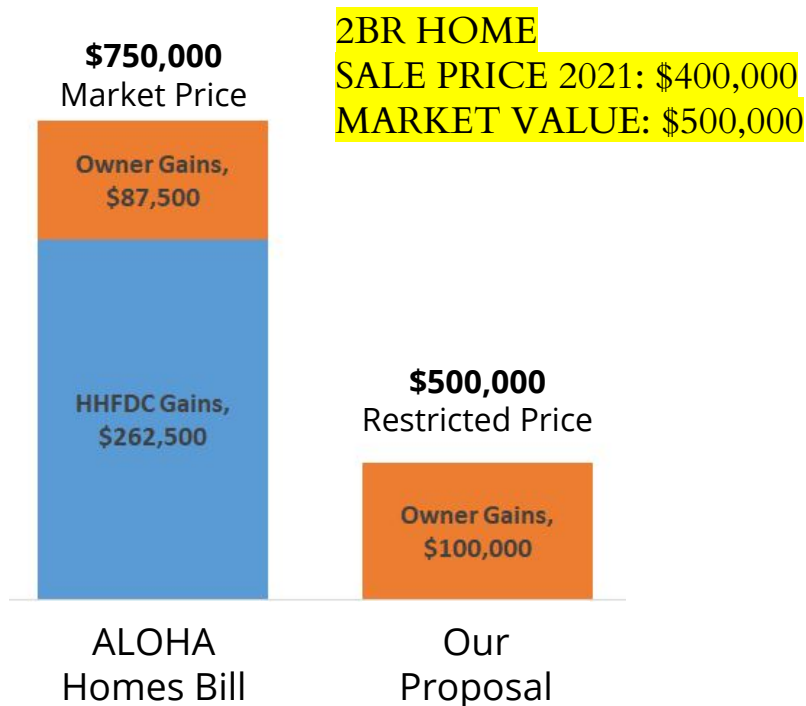
- **Difficult to replace affordable homes**

Once a home is lost, it is rarely replaced

- **Cost effective**

Not paying for same thing twice.

Equity Share: ALOHA homes vs Best Practice



ALOHA Homes Bill

- Sell for market in 2031: \$750,000
- 25% Owner (\$87,500)
- 75% HHFDC (\$262,500)

Concerns

- Lose affordable home
- \$262,500 not enough to replace

Best Practice: Inflation pricing (CPI)

- Owner gets \$100,000 (1.5% CPI)
- \$500,000 re-sale price

Benefits

- Keeps home affordable
- Owner builds more equity

Financial Feasibility

Affordable Housing Created in Four Ways

- **State Land Contribution**

- **Off-Site Infrastructure**

Part of larger area plan—GET or CFD

- **Streamlined Entitlement**

Programmatic EIS/EA waiver

- **Financing Access**

Taxable mortgage revenue bonds or partnership with local banks

Finding

State-supported leasehold can be significantly below market prices

HOME TYPE	AVERAGE MARKET PRICE	STATE-SUPPORTED HOUSING COST RANGE	SAVINGS
1bd / 1ba	\$395,000	\$280,000–325,000	24%
2bd / 2ba	\$569,000	\$385,000–425,000	30%
3bd / 2ba	\$744,000	\$460,000–530,000	33%

Serves 80%–140% AMI
income group

Evaluating Other Program Elements

Off-Site Infrastructure Financing

Part of Larger
Area Plan

Best Practice

- Off-site infrastructure not included in housing cost:
Helsinki, Vienna, Singapore

Public Should Fund

- Community Facilities District (property assessments):
Most common and progressive
- GET/Sales Tax:
Less common, more regressive

Owner–Occupancy Enforcement

People Managed
Preferred over
High-Tech

Focus Group Finding

- High-tech (fingerprint, eye scan) disfavored. Concerns:
 - Privacy
 - Flexibility for guests
 - Maintenance

Recommendation

- Stewardship Specialists
 - Land Trust model
 - More benefits / similar costs (\$50 per month, per home)

Preferences and Set-Asides for Special Groups: elderly etc.

Focus Group Findings

- Greater support for set-asides, rather than preferences

No Income Limits

Almost All
Programs Have
Income Limits

Recommendation
140% AMI

Best Practices

- All US Cities have income limits ranging from 80–150% AMI
- Even Singapore has limits for newly-constructed affordable homes

Appropriate AMI Level

- Can afford a mortgage
- Include households with public sector workers:

Two teachers (\$65,000) = 130% AMI

Future Tenant Involvement

Focus Group Finding

- Overwhelming **94% support** for sweat equity and planning of the future project

Best Practice

- Helsinki and Vienna

Local Example

- Pu'uhonua O Wai'anae:
Land, design, building

Benefits of Leasehold Housing

“I would move from my neighborhood for a program like this!”

Focus Group Finding

- Participants were very interested in this housing model

Main Benefits

- **Stability**
Predictable payments, no forced move
- **Financial Gain**
Much better investment than renting
- **Inheritance**
Ability to pass onto children

State Land may provide Cost Savings

Leases on State lands
needs further
consultation and
community input.

Benefits, Next Steps, *and* Conclusions

Who Benefits?

- **Middle-income who can't afford to buy into the private market. (80-140% AMI)**

Current demand for 5,000 households

- Middle-step between renting and ownership.
- Significant benefits over renting

Who's Left Out?

Below 80% AMI
needs further
assistance

- Lower AMI ranges:
80% and below
- Over half of housing need is for
80% AMI and below.

Next Steps:

1. **Stewardship support**

Third party management
e.g. Na Hale O Maui Land Trust

2. **Maintain long-term affordability**

3. **Financing Options - Mortgage Revenue Bonds**

4. **State land use: More consultation**

Conclusions

1. **Focus Groups** demonstrated that there *is* demand for affordable leasehold ownership.
2. Affordability without use of general fund revenue.
3. Elements of proposal have potential to fulfill an **important housing need. 80%-140% AMI**